



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HICKMAN COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES**

June 26, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
HICKMAN COUNTY
J. W. MORAN, SHERIFF
1999 SHERIFF TAX SETTLEMENT

JUNE 26, 2000

Audit Opinion:

The Auditor of Public Accounts has issued a clean opinion on the financial statement presented in our audit report.

Comment and Recommendation:

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$262,034 To Protect Deposits

Financial Statement:

For tax year 1999 the Sheriff had tax receipts of \$1,165,057. The Sheriff is due refunds from the County, \$16; Extension District, \$9; Clinton Fire District, \$130; Common School District, \$39; and State, \$33. The Sheriff owed the Health District \$110 and Columbus Fire District \$77 as of August 22, 2000. The Sheriff's office did a fine job in collecting and distributing taxes.

Notes:

The Hickman County Sheriff earned \$1,316 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Greg Pruitt, Hickman County Judge/Executive

Honorable J. W. Moran, Hickman County Sheriff

Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the Hickman County Sheriff's Settlement - 1999 Taxes as of June 26, 2000. This tax settlement is the responsibility of the Hickman County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Hickman County Sheriff's taxes charged, credited, and paid as of June 26, 2000, in conformity with the basis of accounting described in the preceding paragraph. Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discuss the following area of noncompliance.

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$262,034 To Protect Deposits

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 22, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 22, 2000

HICKMAN COUNTY
J. W. MORAN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

June 26, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 120,605	\$ 130,996	\$ 437,045	\$ 176,729
Tangible Personal Property	13,811	8,830	43,436	29,807
Intangible Personal Property				11,081
Fire Protection	592			
Franchise Corporation	40,537	34,225	137,850	
Clay Reserves	80	142	290	117
Additional Billings	127	186	413	332
Increased Through Erroneous Assessments	127	123	459	186
Penalties	1,064	1,165	3,849	1,564
Adjusted to Sheriff's Receipt	(71)	(48)	(219)	(105)
Gross Chargeable to Sheriff	<u>\$ 176,872</u>	<u>\$ 175,619</u>	<u>\$ 623,123</u>	<u>\$ 219,711</u>
<u>Credits</u>				
Discounts	\$ 1,623	\$ 1,538	\$ 5,774	\$ 2,667
Exonerations	610	587	2,195	1,074
Delinquents:				
Real Estate	<u>1,912</u>	<u>2,557</u>	<u>6,929</u>	<u>2,802</u>
Total Credits	<u>\$ 4,145</u>	<u>\$ 4,682</u>	<u>\$ 14,898</u>	<u>\$ 6,543</u>
Net Tax Yield	\$ 172,727	\$ 170,937	\$ 608,225	\$ 213,168
Less: Commissions *	<u>7,628</u>	<u>5,935</u>	<u>24,329</u>	<u>9,347</u>
Net Taxes Due	\$ 165,099	\$ 165,002	\$ 583,896	\$ 203,821
Taxes Paid	162,750	161,506	576,512	202,580
Refunds (Current and Prior Year)	<u>2,365</u>	<u>3,448</u>	<u>7,423</u>	<u>1,274</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (16)</u>	<u>** \$ 48</u>	<u>\$ (39)</u>	<u>\$ (33)</u>

* and ** See Page 4

HICKMAN COUNTY
 J. W. MORAN, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 June 26, 2000
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	505,920
4% on	\$	608,225
1% on	\$	40,912

** Special Taxing Districts:

Health District	\$	110
Extension District		(9)
Clinton Fire District		(130)
Columbus Fire District		<u>77</u>
Due Districts or (Refunds Due Sheriff)	\$	<u><u>48</u></u>

The accompanying notes are an integral part of the financial statement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 26, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 4, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$262,034 of public funds uninsured and unsecured.

HICKMAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 June 26, 2000
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 4, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 204,845
Uncollateralized and uninsured	<u>262,034</u>
Total	<u><u>\$ 466,879</u></u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 1999 through April 5, 2000.

Note 4. Interest Income

The Hickman County Sheriff earned \$1,316 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

HICKMAN COUNTY
J. W. MORAN, SHERIFF
COMMENT AND RECOMMENDATION

June 26, 2000

The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$262,034 To Protect Deposits

On November 4, 1999, \$262,034 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

We will discuss this problem with the bank.

PRIOR YEAR FINDING:

The prior year noted that the Hickman County Sheriff didn't have a written pledge of securities agreement to protect deposits. The current year's pledge of securities had a written security agreement, but the amount was inadequate.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hickman County Sheriff's Settlement - 1999 Taxes as of June 26, 2000, and have issued our report thereon dated August 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hickman County Sheriff's Settlement - 1999 Taxes as of June 26, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Greg Pruitt, Hickman County Judge/Executive
Honorable J. W. Moran, Hickman County Sheriff
Members of the Hickman County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 22, 2000

